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FISCAL IMPACT STATEMENT

LS 6631 | **NOTE PREPARED:** Jan 24, 2014
BILL NUMBER: SB 340 | **BILL AMENDED:** Jan 24, 2014

SUBJECT: Demand Side Management Programs.

FIRST AUTHOR: Sen. Merritt | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill requires a public utility to allow an industrial customer to opt out of participating in an energy efficiency program implemented by the public utility in response to an order of the Utility Regulatory Commission (IURC) concerning demand side management (DSM) programs. It provides that the IURC may adopt rules or guidelines to assist public utilities and industrial customers in complying with the requirement. The bill also requires the IURC to provide a status report on energy efficiency programs implemented under DSM orders to the Regulatory Flexibility Committee and the Legislative Council by August 15, 2014.

Effective Date: July 1, 2014.

Explanation of State Expenditures: (Revised) *Summary* - This bill allows the IURC to adopt rules or guidelines to assist public utilities and industrial customers in compliance with the bill's provisions. The bill also requires the IURC to prepare a status report no later than August 15, 2014, on all energy efficiency programs implemented under the DSM order issued in 2009. The report is required to be provided to the Regulatory Flexibility Committee and the Legislative Council. Any increase in administrative costs to the IURC will be offset by public utility fees.

The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intra-state operating revenues to fund the IURC.

Additional Information - Cause No. 42693 (also referred to as the Phase II Order) required all electric utilities under IURC jurisdiction to participate in DSM programs and achieve a 2% annual savings in total electric sales by 2019.

The energy utilities must offer the following programs to customers:
(1) Residential lighting program;
(2) Home energy audit program;
(3) Low-income weatherization program;
(4) Energy-efficient schools program; and
(5) Commercial and industrial program.

Cause No. 44441, approved on January 15, 2014, ordered that an investigation be commenced by the IURC to review the reasonableness of continuing to require the participation of certain large customers in utility sponsored and IURC regulated DSM programs and any associated impacts on the energy savings goals established in the Phase II Order.

Explanation of State Revenues: (Revised) Utility rates could be impacted to the extent that industrial customers opt out of participating in an energy efficiency program established by a public utility. The bill provides that a public utility may not charge to an industrial customer that opts out rates that include energy efficiency program costs that accrue or are incurred after the date on which the industrial customer opts out. Also, any changes in electricity demand related to industrial customers opting out of participating in energy efficiency programs would also affect utility rates.

To the extent that utility rates are impacted as a result of this bill, Utility Receipts Tax (URT), the Utility Services Use Tax (USUT), and Sales Tax collections would be impacted. The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: Municipal electric utilities under IURC jurisdiction are required to provide DSM programs and could be affected by the bill's provisions.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected: Municipally owned utilities.

Information Sources: Indiana Utility Regulatory Commission and Office of Utility Consumer Counselor web sites.

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